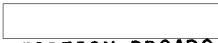


collins international service company

P.O. Box 10462 Dallas, Texas 75207 Phone: (214) 996-5274

7 January 1985

Ref: DDVC1-10


FOREIGN BROADCAST INFORMATION SERVICE
P. O. Box 2604
Washington, D.C. 20013

STAT

Subject: New FCC Ruling on COMSAT

Ref: Attached excerpt from 21 Dec 84 issue of
International Communications News

Dear Harry:

In our conversation just prior to the holidays, I reported COMSAT's expectation of a new ruling from FCC which would essentially re-reverse last year's reversal which precluded retailing of INTELSAT service to end users by COMSAT World Systems.


The attachment confirms that such a ruling did, in fact, occur. The impact of their decision, as I understand it, is two fold: 1) COMSAT is required to unbundle INTELSAT services such that COMSAT World Systems will be permitted to wholesale space segment to independently owned earth stations and, 2) a new separate subsidiary of COMSAT is to be set up to retail earth station services.

Also of interest is the fact that while a DOD request for ground segment services directly from COMSAT World Systems was denied, FCC offered to consider individual waiver if DOD can show national interest.

While all of this falls short of enabling direct retailing of space segment to FBIS by COMSAT World Systems, I believe the stage has been set. We are essentially back at March '84 status.

In the event your current RFP to Carriers is not fruitful, I believe direct discussion between yourself and D. E. Gourley of COMSAT World Systems should be undertaken as soon as possible. I believe that if FBIS is prepared to make a case for "national interest" with FCC, there is a good probability that COMSAT World Systems can be permitted to retail space segment directly to FBIS. Should FCC adhere to the USISC requirement, coordination of this among FBIS, Mr. Gourley, and the new COMSAT subsidiary should be considerably simplified. Since FCC has also determined that tariffs are to be cost based under the new rules I would also expect significant price reductions from the estimates we forwarded from the USISC solicitation.

a subsidiary of Rockwell International

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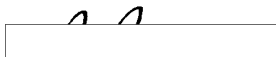
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It is my understanding that COMSAT's filings with FCC to reflect the new ruling must be completed in January. There will undoubtedly be comments from interested carriers to be dealt with after the filings; however, once the rulings are implemented, COMSAT should be able to react very quickly to INTERNET requirements because of the background of the past two years. I believe these new rulings significantly alter the circumstances which motivated COMSAT General Corp.'s "no-bid" for the USISC role and that this is sufficient justification to include them in your carrier solicitation. The COMSAT subsidiary to be set up for user retailing is yet to be determined. I will be surprised if the COMSAT General Corp. subsidiary is used. In any case, I would recommend directing near-term correspondence via Mr. Gourley to assure a coordinated COMSAT response. I have long been convinced that FBIS interests will best be served if space segment can be arranged within the COMSAT family and without resorting to engagement of additional firms. This once again appears to be a feasible option.

Please feel free to call upon us for any assistance you may require.

Regards,

COLLINS INTERNATIONAL SERVICE COMPANY


D. D. Van Citters, Manager
SATCOM Advanced Networks Department

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DDVC:bjc

Attachment

cc:



STAT

FCC LIBERALIZES INTERNATIONAL EARTH STATION OWNERSHIP POLICY

The Federal Communications Commission early this month capped its two-year-old earth station ownership proceeding with a decision to allow individual carriers to own international earth stations. Under past FCC policy, international earth stations in the U.S. have been owned by a consortium of record and voice carriers. Comsat -- which has run the earth station system -- has owned 50% of the Intelsat earth stations, while the other carriers have shared the remaining interest.

The FCC began the earth station ownership proceeding (CC 82-540) with a Notice of Inquiry in August 1982. In late March 1984, the commission issued a Notice of Proposed Rulemaking suggesting a liberalized ownership policy along the lines approved this month.

Under the plan:

- Intelsat Business Service (IBS) and television earth station applications would be accepted from any carrier and be processed on a streamlined, routine basis;

- Multi-purpose earth station applications also would be accepted from any carrier but would be subject to a more rigorous review of economic, technical and operational considerations;

- The Earth Station Ownership Consortium's joint owners would negotiate amongst themselves the future of their investments in joint earth station facilities;

- Owners of international earth stations may attend the annual meetings of the operational representatives that address operation and recording matters relating to space segment and earth stations.

While the move paves the way for independent non-ESOC ownership of multi-purpose international earth stations, the FCC actually began giving liberalized treatment to video TV and IBS international earth stations last March.

In making the final ruling, the FCC noted that it no longer makes sense to give Comsat such a dominant role in international earth stations, given Intelsat's growth into a stable and secure global system. The FCC said that Comsat would continue to represent the U.S. at Intelsat meetings, but with greater input from carriers, operators and the public. The commission said it would not impose any moratorium period on independent earth station applications as Comsat had proposed.

The FCC concluded that independent ownership would increase carrier and service options while putting downward, competitive pressure on rates. The FCC also found that carrier-owned and operated earth stations are technically feasible, create no major economic hurdles, will not significantly affect the U.S.' foreign partners in Intelsat, and will result in lower costs and technically superior service to customers.

To facilitate its new policy, the FCC directed Comsat to separate its earth station activities from its space segment activities, and to file an application to transfer ownership interest in authorized international earth stations from the parent company, Comsat World Systems, to a separate common carrier subsidiary by February 1, 1985. It also required Comsat to file unbundled, cost-based tariffs for Intelsat space segment services through the parent World Systems Division and file earth station tariffs through the separate subsidiary on February 1, 1985.

The FCC said that Comsat's filing of a cost-based, unbundled tariff, together with the chance for carriers to build their own earth stations at locations of their choice, would bring more efficient networks and result in savings for consumers.

INTERNATIONAL COMMUNICATIONS NEWS 21 DEC 84

FCC QUICKLY BEGINS RULEMAKING ON INTERNATIONAL PRIVATE SATELLITES

Moving quickly in the wake of a presidential determination on the subject, the Federal Communications Commission this week launched a proceeding to deal with five applications filed for private, U.S.-based international satellite systems. The proceeding, a Notice of Inquiry and a Notice of Proposed Rulemaking, will ask for public comments on the presidential order and on the public interest questions surrounding the five applications.

On Nov. 28, President Reagan decided that alternative satellite systems -- independent of Intelsat -- are required in the U.S. national interest (ICN 12/7, p.1). The five applications were submitted by Orion Satellite, International Satellite, Inc., RCA Americom, Cygnus Satellite and Pan American Satellite.

Along with the presidential determination, the Depts. of State and Commerce forwarded to the FCC a number of conditions that should apply, if the applications are approved. Specifically, the satellite systems should involve only sold or leased capacity; not be interconnected to any public switched networks; include the approval of foreign correspondents; and, include the participation of the affected foreign nations in the Intelsat coordination process.

In addition to gathering public comment on the Reagan Administration's recommendations, the commission said it would gather data necessary to analyze the trade, economic, political, consumer and telecommunications implications of allowing private satellites. In fact, just such an effort was requested by Congress in October. A detailed report by the Executive Branch explaining the reasoning behind its determination -- expected to reach the FCC in January -- also will be put out for public comment, the FCC said.

Included in the questions for which public comment will be sought is whether the president's determination is definitive or binding in some way on the FCC. According to staffers, the FCC's initial reaction is that the Executive Branch has ruled on the national security aspects of the issue and the FCC must now review the public interest aspects, according to its responsibilities under the Communications Act.

~~Another issue brought up by the FCC in the proceeding is the role of direct access to Intelsat (by carriers other than Comsat) in an environment where alternative satellite systems are allowed. In late March 1984, the FCC terminated a proceeding looking into the efficacy of allowing carriers direct access to Intelsat, saying there were no economic benefits. Now, the FCC is reviving the direct access issue in regard to alternative satellites, partly because the Commerce and State Depts. -- in their recommendation on private satellites -- backed the notion of cost-based access to the Intelsat space segment (ICN 12/7, p.1).~~

FCC commissioners, in adopting the rulemaking, said they might hold en banc public hearing on alternative satellites once all comments are received.

Commenting on the detailed report expected from the Executive Branch in January, FCC Chairman Mark Fowler said, "It behooves the Executive Branch to get the report here on time....Frankly, its determination took much too long in coming." Orion filed its application for authority to construct its system in March 1983, at which time the administration asked for the FCC to await its determination before acting.

~~Separately from the new proceeding on private international satellites, the FCC reaffirmed its 1982 decision to allow Comsat to provide satellite services to end users (CC 80-170). However, the 1982 decision was altered to conform with the FCC's recent order allowing independent ownership of international earth stations (see related story, p.3). In that proceeding (CC 82-540), the FCC required Comsat to set up a separate subsidiary to offer earth station services, and for Comsat's World Systems Division to offer space segment services.~~

The 1982 order originally allowed World Systems to offer basic satellite services, which included both ground and space segments.

~~The FCC also denied a request by the Defense Dept. for a blanket waiver of the separation requirement to allow the armed forces to obtain ground segment services directly from Comsat World Systems. The FCC said it would entertain individual waivers of its policy if the Defense Dept. can show that it is in the national interest.~~

INTERNATIONAL Communications News
21 DEC '84